

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 GSA-02 DODE-00
COME-00 INT-05 CIAE-00 PM-04 H-01 INR-07 L-03 NSAE-00
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R 110906Z FEB 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 6242

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY JAKARTA

AMEMBASSY LA PAZ

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 1002

E.O. 11652: GDS

TAGS: EMIN, MY

SUBJECT: AN APPROACH BY ASEAN TIN PRODUCERS TO THE ITA
RATIFICATION PROBLEM

REF: KUALA LUMPUR 0927 (NOTAL)

1. SUMMARY: MALAYSIAN MINISTER OF PRIMARY INDUSTRIES AND
INDONESIAN MINISTER OF MINING AGREED DURING FEB. 8-9 MEETING IN
KUALA LUMPUR ON JOINT APPROACH TO CONSUMERS AND BOLIVIA IN ATTEMPT
TO RESOLVE PROBLEM CREATED BY BOLIVIA'S DECISION NOT TO RATIFY
FIFTH TIN AGREEMENT. ATTEMPT WILL BE MADE TO CONVINCE THAILAND
TO JOIN IN JOINT APPROACH UNDER ASEAN LABEL. BOTH MINISTERS
EXPRESSED SYMPATHY WITH BOLIVIA AND STATED THAT IF IMPASSE NOT
RESOLVED, PRODUCERS MIGHT HAVE TO LOOK INTO POSSIBILITY OF CARTEL.
GOM INFLUENCED PRESS PICKED UP THIS THEME AND AMPLIFIED IT CON-
SIDERABLY IN EDITORIAL POSTURING. EMBASSY BELIEVES THAT CARTEL
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POSSIBILITY MENTIONED ONLY TO ELICIT MORE FORTHCOMING POSITION
BY CONSUMERS AS WELL AS FOR DOMESTIC AND G-77 CONSUMPTION.
IF BOLIVIA CONTINUES TO REFUSE TO SIGN, MALAYSIA IS
EXPECTED TO PURSUE ONE-YEAR EXTENSION OF ITA
THROUGH 57(B) MECHANISM.

2. IN MEETINGS HELD IN KUALA LUMPUR ON FEBRUARY 8 AND 9,

DATUK MUSA HITAM, MALAYSIA'S MINISTRY OF PRIMARY INDUSTRIES AND MOHAMED SADLI, INDONESIA'S MINISTER OF MINING AGREED ON A JOINT APPROACH TO THE UNITED STATES (AND THE OTHER MAJOR CONSUMING COUNTRIES) AND TO BOLIVIA IN AN ATTEMPT TO RESOLVE THE DISPUTE CREATED BY BOLIVIA'S REFUSAL TO RATIFY THE FIFTH TIN AGREEMENT. MINISTER SADLI HAS FLOWN ON TO BANGKOK IN ATTEMPT TO OBTAIN THAI AGREEMENT TO A JOINT APPROACH UNDER ASEAN AUSPICES.

3. ACCORDING TO PRESS REPORTS, THE MINISTERS AGREED THAT DATUK MUSA, AFTER VISITING ITC EN ROUTE, WILL APPROACH U.S. DURING FEBRUARY 16-18 VISIT TO WASHINGTON IN ATTEMPT TO ELICIT AMERICAN AGREEMENT TO AN INCREASE IN FLOOR PRICE AND TO CONTRIBUTE TO THE BUFFER STOCK. THAT FAILING, HE WILL ATTEMPT TO CONVINCE BOLIVIANS DURING HIS VISIT TO LA PAZ FEB. 20-28 TO ACCEPT PRESENT FLOOR AND CEILING PRICE LEVELS IN EXCHANGE FOR AGREEMENT ON PART OF CONSUMERS TO A FORMULA THAT WILL ALLOW FOR EAST ADJUSTMENT TO COPE WITH INCREASES IN PRODUCTION COSTS. SIRMAN WIDIATMO, DIRECTOR OF INDONESIAN TIN CORP., WILL ACCOMPANY DATUK MUSA ON TRIP AND WILL GO TO BONN TO LOBBY WITH GERMANS.

4. BOTH MINISTERS PUBLICLY EXPRESSED THEIR SYMPATHY WITH BOLIVIA AND STATED THAT ONE OF THE POINTS THAT WILL BE MADE TO THE CONSUMERS IS THAT IF THE TIN AGREEMENT COLLAPSES, THERE IS REAL POSSIBILITY THAT PRODUCERS WILL ATTEMPT TO SET UP TIN CARTEL. AFTER NOTING THAT MALAYSIA, BOLIVIA, THAILAND AND INDONESIA PRODUCE ALMOST 80 PERCENT OF WORLD'S SUPPLY OF TIN, AND COULD, AS A RESULT, CONFIDENTIAL

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READILY SET UP CARTEL, BOTH MINISTERS EXPRESSED THEIR RELUCTANCE TO SEE THIS HAPPEN. DATUK MUSA WAS QUOTED IN PRESS AS SAYING "WE CERTAINLY DO NOT WISH TO SEE IT (CARTEL) FORCED ON US BY NECESSITY FOR THE LACK OF SYMPATHY FROM CONSUMER NATIONS."

5. THIS NOTE WAS QUICKLY PICKED UP AND AMPLIFIED BY GOM-INFLUENCED NEW STRAITES TIMES IN EDITORIAL ON FEB. 10 WHICH STATED "A QUESTION OF HONOR IS INVOLVED: THE TIN AGREEMENT HAS BEEN RENDERED VOID, MORE OR LESS, BY CONSUMER RELUCTANCE TO PLAY BY THE RULES. THERE WOULD BE NO DESIRE TO TALK ABOUT CARTELS, AND THE BOLIVIANS WILL RATIFY PROMPTLY, SHOULD THE U.S., JAPAN AND GERMANY ACKNOWLEDGE THE HARM WHICH CHISELLING ON PRICE LEVELS AND BUFFER STOCK CONTRIBUTIONS HAS BROUGHT. SO WHEN MALAYSIA AND INDONESIA HINT OF A CARTEL, IT IS WITHOUT PLEASURE...DATUK MUSA HITAM'S AMERICAN HOSTS SHOULD BE LEFT IN NO DOUBT THAT THE STATE OF SIEGE, IF IT PERSISTS, MIGHT HAVE TO BE ENDED AT THE PRODUCERS' INITIATIVE."

6. COMMENT: THE PROBLEM OF BRINGING THE FIFTH ITA INTO FORCE IS A GUT ISSUE HERE. THE THREAT OF FORMATION OF A TIN CARTEL, SOFTENED BY EXPRESSED RELUCTANCE TO TAKE SUCH A STEP, IS PART OF A SCENARIO TO MOVE THE U.S., AND THEREBY OTHER CONSUMERS, TO A MORE FORTHCOMING POSTURE WHICH WOULD ACHIEVE BOLIVIAN RATIFICATION. ASSUMING THAT THE U.S. POSITION CORRECTLY CONTINUES UNCHANGED, WE EXPECT THE PRODUCER DELEGATION TO PUT INTENSE PRESSURE ON BOLIVIA TO RATIFY. SHOULD BOLIVIA STAND FIRM, HOWEVER, WE COULD REASONABLY EXPECT A PUBLIC HARDENING OF MALAYSIA'S POSITION VIS-A-VIS CONSUMERS WHEN MINISTER MUSA RETURNS TO WASHINGTON. NEVERTHELESS, QUITE APART FROM EXTENT TO WHICH CARTEL WOULD OR WOULD NOT, BE EFFECTIVE, THE CARTEL APPROACH REMAINS ONE ONE WHICH MALAYSIA WOULD BE VERY RELUCTANT TO EMBARK. FAR MORE LIKELY IN OUR VIEW, THE MALAYSIANS WOULD PURSUE THE CONFIDENTIAL

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ARTICLE 57(B) ROUTE WHICH AVOIDS DIRECT CONFRONTATION, PERMITS THE CONTINUED FUNCTIONING OF THE AGREEMENT FOR AN ADDITIONAL YEAR THEREBY GIVING ALL PARTIES TIME TO WORK THE PROBLEM IN A NON-CRISIS ATMOSPHERE. UNDERHILL

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